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Spain

Tree Nuts

Annual

2006

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Report Highlights:

Spain will continue to be an important market for U.S. almonds during marketing year (MY) 2006/2007, even though import demand has softened and domestic prices have dropped in recent weeks. With decreasing prices, it appears likely that Spanish exporters of almonds and almond products will have an opportunity to strengthen their presence in the European market this marketing year, helping to use a strong domestic almond crop, while possibly holding imports relatively stable. (LR40AM40SH4)

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Madrid [SP1]
[SP]

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Executive Summary

During MY 2006/2007, we expect to see a drop, from recent years, in Spanish imports of U.S. almonds; but at this point, we are not forecasting a precipitous drop. Spanish exports of processed almond products increase yearly, which could help buoy demand for California almonds, particularly appreciated for this type product, because of its uniform size and excellent processing characteristics. In addition, the financial incentive to process and export almond products could be especially strong this year, because of the nearly halving of the raw product price, when compared to prices during the previous two years.

Part of the almond processor's improving price margin can be laid to the emerging fact that Spain's MY 2006/07 almond production is stronger, possibly much stronger than in previous years. Spain's Ministry of Agriculture (MAPA) has currently on the books a production estimate of 80,000 metric tons (MT), more than 15 thousand MT above last year's production. Exporters and other farmer's associations consider the estimate extremely optimistic, and place their forecasts between 55,000 MT and 65,000 MT, citing weather-related problems during the year.

Taking into account all of the information currently available, we are estimating MY 2006/07 almond production at 68,000 MT, but we will be monitoring this estimate in the coming months and revising it as more information becomes available. Sources in MAPA indicate that they will be revising their production estimate by the end of this calendar year and at that point they will have a much more accurate figure. At this point, all estimates of this year's production should be considered very carefully.

We are certain, however, that domestic almond producers are very unhappy with current prices. They have pointed their fingers at traders, accusing them of manipulating the market, and at California producers, accusing them of an attempt to put local producers out of business, even while local producers receive tremendous financial support under the Common Agricultural Policy (CAP), Spanish National and Regional Government subsidies that will certainly help to isolate them from the declining almond prices.

Commodity Name: Almonds, Shelled

Production, Supply & Distribution (PSD) Table

PSD Table

Country Spain

Commodity Almonds, Shelled Basis (HA)(1000 TREES)(MT)

	2005 (Revised)		2006 (Estimate)		2007 (Forecast)	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	09/2005		09/2006		09/2007	
Area Planted	660,000	641,700	660,000	641,700	0	641,700
Area Harvested	641,700	600,000	641,700	600,000	0	600,000
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Beginning Stocks	5,182	5,182	4,182	5,667	0	5,667
Production	61,000	63,485	65,000	68,000	0	69,000
Imports	40,000	42,000	37,000	40,000	0	40,000
TOTAL SUPPLY	106,182	110,667	106,182	113,667	0	114,667
Exports	50,000	50,000	51,000	54,000	0	55,000
Domestic Consumption	52,000	53,000	52,000	54,000	0	54,000
Ending Stocks	4,182	5,667	3,182	5,667	0	5,667
TOTAL DISTRIBUTION	106,182	110,667	106,182	113,667	0	114,667

Production

Spain: Almond Production, Shelled **(1999 = MY 1999/00, etc.)**

MY	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
1,000 MT	85.1	68.2	77.1	90.7	65.0	26.2	63.5	68.0	69.0

Sources: MAPYA (converted from in-shell basis) until 2005; FAS Office forecast for 2006 and 2007.

- From the table above, we can observe that production for MY 2006, according to FAS forecast, should increase this MY with respect to previous years.

- Ministry of Agriculture predicts some 80,000 MT production for current MY. This figure seems extremely optimistic according to importers and farmers associations, since weather conditions have been very similar to previous year. Scarce rains, frosts and hail suffered this year should bring a lower production figure than expected by government official statistics, though it is still early to obtain a trustful production figure.

- Spanish almond orchards are regionally concentrated in Mediterranean regions, namely *Andalucia* and *Valencia*. Other significant areas are *Murcia*, *Catalonia*, *Aragon*, the Balearic Islands and *Castilla-La Mancha*.

- Dominant varieties are *Marcona*, *Largueta*, *Planeta*, *Valencia* (*Comuna*) and *Mallorca*. Only 7 percent of almond orchards are irrigated. Modern orchards tend to be installed with spring flowering varieties to avoid the winter frosts. According to producer sources, the current EU subsidy regime is conducing to an activity abandon by the smaller farmers. For more details on production, please check Production policy section below.

- Domestic growers are generally grouped into cooperatives, which process and market their almonds both domestically and internationally.

- ALMENDRAVE is the most significant Spanish almond exporters organization.

Consumption

- We expect Spanish almond consumption to increase moderately during MY 2006/07, in association with the larger domestic crop, and improved prices (see price table below).

- Some 70 to 80 percent of the total almond supply is used by the confectionary industry. Of this total, the bulk is used to manufacture nougat during the months immediately before Christmas. The rest is mostly used to produce un-blanched roasted, and blanched fried almonds, which are marketed in small snack packs.

- The domestic *Marcona* variety is sold in stores in consumer packages and used to manufacture premium almond brand products, because of the variety's distinctive taste and high oil content.

- Spanish varieties of almonds also tend to be favored for the production of snack-type products, especially roasted blanched almonds, due to the easy-to-peel properties of these varieties.

- U.S. almonds tend to be used in other almond products. Due to their uniformity, they tend to be in demand by processors to produce food ingredients, including almond flour, dices and fillets. Processing is trending upwards, due to the local industry's development of EU markets. U.S. almonds are also in demand for the production of sugared almonds.

- For almond wholesale price quotes, please check table below.

SPAIN: Tree Nut Wholesale Prices (In-shell)

	Average Prices (€ / kg)		
	Mid-July 2006	December 2005	Mid-July 2005
Almonds	3.25	4.80	6.60
Hazelnuts	5.20	4.80	5.50
Walnut	2.40	2.40	2.20

Source: Mercabarna

Trade

General

Spain: Almond Imports (Shelled Weight Basis) (1999 = MY 1999/00, etc.)

MY:	1999	2000	2001	2002	2003	2004	2005	2006	2007
	Units: Metric Tons								
Total	33,223	29,155	42,183	49,529	58,655	58,095	40,000	30,000	35,000

Source: Global Trade Atlas (GTA) till 2004/05. FAS Office estimates for remaining period.

Spain: Almond Exports (Shelled Weight Basis) (1999 = MY 1999/00, etc.)

MY:	1999	2000	2001	2002	2003	2004	2005	2006	2007
	Units: Metric Tons								
Total	42,469	45,425	50,677	60,326	46,214	39,433	50,000	56,000	51,000

Source: Global Trade Atlas (GTA) till 2004/05. FAS Office estimates for remaining period.

Factors Affecting U.S. Trade

- The level of U.S. almond exports into Spain depends on two main factors: domestic production and Spanish almond/products exports (please see “Shelled Almonds” graphs above);

- EU tolerance for aflatoxin is lower than U.S. tolerance. The EC Regulation 466/2001, nuts, including almonds and dried fruit intended for human consumption or as ingredients in foodstuffs, establishes the level. Maximum limits allowed are 2 parts per billion (2 PPB), or 2 micrograms/kilogram for aflatoxin B1, and 4 PPB for aflatoxins B1, B2, G1 and G2 combined.

- The Spanish Ministry of Health (MOH) has an EC-mandated surveillance system in place for imports. When phytosanitary inspectors detect above-limit aflatoxin presence in almond shipments, the shipment is refused entry, and the MOH places the exporter under “alert,” which requires aflatoxin testing of all shipments from the same grower or packer.

- The Spanish alerts are remitted to the EC, which then issues an EU-wide alert for product from the implicated exporter. MOH requires a minimum of three satisfactory aflatoxin tests before lifting the “alert” on the exporter, or before recommending that the EC lift the EC “alert” on the exporter.

- The new EC food safety regulation in effect as of January 1, 2006 (EC 882/2004), leaves Member States Governments, in consultation with local importers, to decide if and when the rejected product can be returned to the exporter or, if it needs to be destroyed.

Trade Matrices

Import Trade Matrix

Country	Spain		
Commodity	Almonds, Shelled Basis		
Time Period	Sep/Aug	Units:	Metric Tons
Imports for:	2004		**2005**
U.S.	48,786	U.S.	30,000
Others		Others	
Italy	2,612	France	3,000
France	1,999	Portugal	1,400
Greece	766	Germany	1,100
Other EU	1,065	Other EU	2,400
Australia	881	Chile	250
Tunisia	696	Turkey	130
Chile	692		
Turkey	246		
Total for Others	8,957		8,280
Others not Listed	352		720
Grand Total	58,095		39,000

Export Trade Matrix

Country	Spain		
Commodity	Almonds, Shelled Basis		
Time Period	Sep/Aug	Units:	Metric Tons
Exports for:	2004		**2005**
U.S.	336	U.S.	570
Others		Others	
Germany	13,360	Germany	15,500
France	7,423	Italy	9,000
Italy	3,799	France	7,400
Netherlands	3,497	Netherlands	3,700
Belgium	2,538	Belgium	3,000
Other EU	6,120	Other EU	8,300
Switzerland	1,295	Switzerland	1,400
Norway	207	Ceuta	300
Total for Others	38,239		48,600
Others not Listed	858		830
Grand Total	39,433		50,000

Policy

Production Policy

- Spanish tree nut production takes place within the legal framework set by the EU common fruit and vegetables policy. This policy encourages the constitution of Producer Organizations (POs) to concentrate and market production. POs can apply to EU co-financing of so-called Operational Programs (OPs). These are investment programs designed to increase producer competitiveness and marketing efficiency.

- Up till 2004, tree nut producers were eligible to a special subsidy paid on a hectare-basis, subject to presentation of so-called Improvement Plans on farms. This subsidy was set at € 241.50 per hectare, and was co-financed by the EU, MAPYA and the Autonomy Regions. In addition to almonds, this regime applies to hazelnuts, walnuts, pistachios and carob.

- In 2005, new dispositions concerning the tree nut subsidy regime, which were approved under the 2003 CAP Reform, came into force. Level of individual farmer subsidy remained unchanged, and subsidy payments continued to be co-financed by the EU, Spanish Central Government and Autonomies. Under new regime, farmers must apply individually and not through the OP, even if OP membership remains a condition for subsidy access. New regime also instituted a minimum area restriction for subsidy access, set at 0.2 hectares. According to Spanish farmer organizations, the new policy could lead to a progressive abandonment of tree nuts in less productive regions.

- Spain has a Maximum Guaranteed Area (MGA) for tree nuts of 568,000 hectares, of which 167,000 ha in the Valenciana Community (800,000 hectares in total EU) in over 252,000 farms. This MGA includes almonds, hazelnuts, walnuts, pistachios and carobs.

Tariffs

- Spanish almond imports are subject to payment of an *ad valorem* duty. For tariffs currently in effect, please check table below.

- Almonds sold in Spain are subject to a 7 percent VAT.

SPAIN: Almond Import Tariffs

	Duty (Percent)	
	2005	**2006**
0802.11.90	5.6 (1)	5.6 (1)
0802.12.90	3.5 (1)	3.5 (1)

(1) There is a WTO tariff rate quota for the EU of 90,000 MT/year, under which third-country almonds can be brought into the EU at a 2 percent tariff.

Marketing

- According to almond consumption trends outlined in the Consumption section above, Spain offers steady marketing opportunities for US almonds.
- Almond importers/users are concentrated in three important industries:
    - Roasters for the production of almond and hazelnut snacks, generally in packs;
    - Candy producers, who make nougat, marzipan, ice-cream and chocolate products;
    - Bakers.
- For current labelling requirements, please check Market Access Report SP6002.
- For additional information to target the Spanish market, please contact the following:

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Commodity Name: Hazelnuts

Production, Supply & Distribution Table

PSD Table

Country	**Spain**					
Commodity	**Filberts, In-shell Basis**				(HA)(1000 TREES)(MT)	
	2005 (Revised)		2006 (Estimate)		2007 (Forecast)	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	09/2005		09/2006		09/2007	
Area Planted	26,000	21,500	26,000	21,500	0	21,500
Area Harvested	21,600	19,719	21,600	19,719	0	19,719
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Beginning Stocks	4,200	4,200	3,400	2,300	0	1,300
Production	18,200	22,100	20,000	24,000	0	23,300
Imports	14,000	11,000	13,000	10,500	0	10,700
TOTAL SUPPLY	36,400	37,300	36,400	36,800	0	35,300
Exports	6,000	8,000	6,500	8,500	0	8,100
Domestic Consumption	27,000	27,000	28,000	27,000	0	27,000
Ending Stocks	3,400	2,300	1,900	1,300	0	200
TOTAL DISTRIBUTION	36,400	37,300	36,400	36,800	0	35,300

Production

Spain: Hazelnut Production, in-shell basis (1999 = MY 1999/00, etc.)

MY	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
	Units: 1,000 MT								
1,000 MT	29.8	25.2	26.7	22.8	12.6	25.7	22.1	24.0	23.0

Sources: MAPYA until 2006; FAS Office forecast for 2007.

- Spanish MY 2007 hazelnut production should come slightly under the 2006 crop, based on average historic yields.

- Catalonia accounts for some 93 percent of total Spanish hazelnut areas, with the Tarragona province representing some 88 percent of the Catalonia total. The main cultivated variety is *Negreta*, which is grown nearly 80 percent of the area. Some 60 percent of Spain's hazelnut orchard area is under irrigation.

Consumption

- Domestic hazelnut consumption should remain mostly stagnant in 2006/07. Further market growths should be precluded by deteriorating price relationships relative to other tree nuts. For hazelnut price quotes, please check Consumption section under **Almonds**.

- Some 60 to 70 percent of locally used hazelnuts are consumed by the confectionary and chocolate industries. The rest is generally marketed in snack packs.

Trade

General

Spain: Hazelnut Imports (In-Shell Weight Basis) (1999 = MY 1999/00, etc.)

MY:	1999	2000	2001	2002	2003	2004	2005	2006	2007
	Metric Tons								
	10,586	8,609	13,237	14,624	15,005	9,681	11,000	10,500	10,700

Source: Global Trade Atlas (GTA) till 2004/05. FAS Office estimate for remaining period.

Spain: Hazelnut Exports (In-Shell Weight Basis) (1999 = MY 1999/00, etc.)

MY:	1999	2000	2001	2002	2003	2004	2005	2006	2007
	Metric Tons								
	13,300	9,507	6,943	11,425	8,001	11,961	8,000	8,500	8,100

Source: Global Trade Atlas (GTA) till 2004/05. FAS Office estimate for remaining period.

Factors Affecting U.S. Trade

- For general regulatory restrictions, please check the same section under **Almonds**.

- U.S. share of Spanish hazelnut import market is further influenced by the marketing strategies of Turkish exporters.

Trade Matrix

Import Trade Matrix

Country	Spain		
Commodity	Filberts, In-shell Basis		
Time Period	Sep/Aug	Units:	Metric Tons
Imports for:	2004		**2005**
U.S.	878	U.S.	830
Others		Others	
Italy	703	Italy	700
France	455	France	600
Other EU	341	Other EU	650
Turkey	7,073	Turkey	7,800
		Georgia	300
Total for Others	8,572		10,050
Others not Listed	231		120
Grand Total	9,681		11,000

Export Trade Matrix

Country	Spain		
Commodity	Filberts, In-shell Basis		
Time Period	Sep/Aug	Units:	Metric Tons
Exports for:	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
Germany	5,987	Germany	2,900
Italy	2,207	Italy	2,000
Poland	1,123	France	1,100
France	1,056	Other EU	900
Other EU	655	Ceuta	400
Venezuela	533	Brazil	350
Mexico	124		
Total for Others	11,685		7,650
Others not Listed	276		350
Grand Total	11,961		8,000

Policy

General

- For general policy dispositions, please check the same section under **Almonds**.
- In addition to the € 241.5 per hectare paid to all tree nut producers under the new tree nut regime, hazelnut growers are eligible to an additional subsidy of € 105/hectare supported by the EU Guarantee Fund (Feoga-Guarantee).
- High producer prices in recent years and EU policies have discouraged farmers to abandon hazelnut production in recent years. However, farmer sources report that due to new restrictions to subsidy access (see Almonds), lower yielding areas could be abandoned over the coming years.

Tariffs

- Hazelnut imports from non-EU origins are subject to an ad valorem import duty (please check table below).
- Hazelnuts sold in Spain are subject to a 7 percent VAT.

SPAIN: Hazelnut Import Tariffs

	Duty (Percent)	
	2005	**2006**
0802.21.00	3.2	3.2
0802.22.00	3.2	3.2

Marketing

- The leading Spanish wholesale market for nuts, including hazelnuts and almonds, is located in the hazelnut producing area of *Reus*, close to *Tarragona* in the *Catalonia* Autonomy. The bulk of the domestic crop is traded the in-shell form, just like U.S. hazelnuts. All Turkish hazelnut imports are shelled.
- For additional information to target the Spanish market, please contact the following:

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